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Supreme Court of the United States

OCTOBER TERM, 1967.

No. 697

OTHAL L. TURNER and ON-THE-TOWN, INC., a Georgia Corporation d/b/a ATLANTA'S PLAYBOY CLUB,

Petitioner,

versus

HMH PUBLISHING COMPANY, INC., a corporation, and PLAYBOY CLUBS INTERNATIONAL, INC., a corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

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versus

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fifth Circuit, entered in the above-entitled case on July 10, 1967.

OPINION BELOW.

The opinion of the Court of Appeals has as of this date not been officially reported. It is, however, printed in the appendix to this brief.

JURISDICTION.

The judgment of the Court of Appeals was entered on July 10, 1967. Appendix, *infra* this brief. The jurisdiction of this Court is invoked under 28 U.S.C. §1254 (1).

QUESTIONS PRESENTED.

1. Where the publisher of a magazine under a trademark registered by the publisher under the Lanham Act (15 USCA §1053) for a "monthly magazine", has never operated a restaurant, bar, lounge, club, or any establishment featuring food, drink, or entertainment or any such similar enterprise, and where such publisher undertakes to grant an exclusive license to another club to use the trade mark of the publisher for the operation of clubs featuring food, drink and entertainment and to sub-license other parties to use such mark for such purposes and where such licensee has itself never operated any establishment for any purpose but has granted sub-licenses to use said trade mark to other parties, which latter do operate clubs featuring food, drink and entertainment:—Does Section 5 of the Lanham Act (15 USCA §1055) grant valid ownership of the said trade mark to the said magazine publisher so as to include a valid and effective registration in its name and on its own behalf of the trade mark for purposes of the operation of a "private social club featuring food, drink and entertainment" and for "operation of establishments which feature food, drink and entertainment"?

and

Do such facts authorize an injunction upon the petition of the magazine publisher and his licensee (although the sub-licensees did not join in said petition) to prevent a third party from the use of the service mark in the operation of a club?

2. Does the ownership and registration under the Lanham Act of a trade mark for a "monthly magazine" authorize an injunction on behalf of the registrant against the use of the said mark for a night club?

3. Is the following conclusion of the Fifth Circuit Court of Appeals in this case a sound statement of the law in holding: "Section 5 of the Lanham Act definitely contemplates that a trade or service mark may be acquired through its use by controlled licensees, even though the registrant itself may not have used the mark"?

STATUTES INVOLVED.

The principal statute involved is Section 5 of the Lanham Act of 1946, 60 Stat. 427, 15 USCA §1055. Also involved are Section 45 of the Lanham Act, 15 USCA §1127, defining a "related company" and Section 32 of the Lanham Act, 15 U.S. Code §1114.

STATEMENT.

(Parties referred to as in their status in the trial court.)

A permanent injunction against defendants was decreed by the District Court and this decree was af-

firmed in the Court of Appeals from the use of the service mark "Atlanta's Playboy Club" and from the use of the service marks "Playboy" or "Playmate" (in any phonetic spelling or misspelling), or mark or name confusingly similar thereto under which to conduct a night club and restaurant or any other business or portion thereof. The jurisdiction of the District Court was acquired by diversity of citizenship and amount in controversy and by the Lanham Act (15 USC §1121).

HMH Publishing Company, Inc. began the publication of a magazine under the name of "Playboy" or "Playboy Magazine" in November 1952, and has published such magazine under those names since that date (R-28). On December 28, 1954, Trademark Registration No. 600,018 was issued to HMH Publishing Co., Inc. for the name "Playboy" for a "monthly magazine" (Plaintiffs' Exhibit 1).

About the middle of 1959 the president of HMH Publishing Co., Inc. and its promotions manager with a Chicago restaurateur organized International Playboy Clubs, Inc., the purpose of the corporation being to establish a "key" club using the name and decor publicized in their Playboy Magazine (R-126, 130, 134). The "key" club method of operation is the providing of food, beverage and entertainment to patrons who pay a one time admission charge for the "key" which acts as a membership identification as well as a credit symbol to allow the patrons to charge their purchases on their accounts. If a patron seeks admittance

without a "key", he may acquire a temporary key and be admitted but he will be required to pay cash (R-134, 136).

In January 1960, a second corporation was organized under the name of International Playboy Clubs, Inc. which subsequently changed its name to Playboy Clubs International, Inc. and which is one of the plaintiffs in this case (R-130). Upon the organization of the second International Playboy Clubs, Inc., HMH Publishing Co., Inc. by agreement dated March 7, 1960, granted to this International Playboy Clubs, Inc. (now Playboy Clubs International, Inc.) for a term commencing January 21, 1960 and expiring January 20, 2059, "an exclusive license . . . during the term of this agreement to use the HMH Marks, alone or in combination, for the operation of Key Clubs . . . throughout the United States of America and all foreign countries, territories or states, which said Key Clubs shall be operated in accordance with standards established and to be established by HMH as standards of quality and conduct to be identified with said Key Clubs and said HMH Marks." The corporation was granted "the right to grant sub-licenses to others for the purpose of operating Key Clubs under the licensed marks subject to 'the approval of the terms and conditions thereof' by HMH Publishing Co., Inc."

On February 29, 1960, Chicago Playboy Club, Inc. opened a "Key" club under the name of Playboy Club in Chicago. Subsequently, on August 17, 1960, a license was granted by International Playboy Clubs,

Inc. (now Playboy Clubs International, Inc.) to Play Key, Inc., a Florida corporation, for the operation of a Playboy Club in the Miami area. None of its officers, or stockholders were otherwise connected with either of the plaintiff corporations. Under this franchise, Miami Playboy Club was opened on May 6, 1961 (Plaintiffs' Exhibit 47; R-144). On March 23, 1961, a license was granted by International Playboy Clubs, Inc. to Playboy Club of Louisiana, a Louisiana corporation of stockholders not otherwise connected with either of the plaintiff corporations, which opened the New Orleans Playboy Club on October 5, 1961 (R-144).

All of the licensee clubs are separate corporations and are completely third party operations whether or not HMH Publishing Co., Inc. or Playboy Clubs International, Inc. own any stock in them. Each of the licensee corporations operates exclusively within a single state and none of the individual clubs are engaged in any interstate activity. (See descriptions of individual club operations by witness Preuss—R-129-156.)

When, in April 1962, defendants opened their club in Atlanta, Georgia under the name of Atlanta's Playboy Club there were in operation only the Chicago, Illinois, the Miami, Florida, and the New Orleans, Louisiana clubs franchised by the plaintiffs (R-157). While several other clubs were in the planning stage, no club was at that time being considered for Atlanta, nor was such a club being considered for Atlanta when this suit was filed on June 20, 1963.

In April 1962, defendant On-The-Town, Inc. registered its trade name, "Atlanta's Playboy Club" in the Clerk's Office of the Superior Court of Fulton County, Georgia. Defendants have operated only one club or enterprise incorporating in its title the word "Playboy" and the defendants have not been engaged in any inter-state activity in connection with such operation. At the time "Atlanta's Playboy Club" was opened, Othal L. Turner was aware of the plaintiffs' Playboy Magazine, but had never "leafed through a copy." (R-188.) At such time, Mr. Turner had heard of plaintiffs' clubs, Chicago Playboy Club and Miami Playboy Club, but he was also aware of other clubs in the country named "Playboy Club" and it did not occur to him that anyone had any rights in the name (R-188).

On March 5, 1963, eleven months after defendants opened Atlanta's Playboy Club, plaintiffs acquired registration number 746,367 for the mark "The Playboy Club" for "private social club featuring food, drink and entertainment." Subsequently, on May 12, 1964, two years after defendants opened Atlanta's Playboy Club and approximately one year after this case was filed, plaintiffs acquired registration number 759,707 for the mark PLAYBOY for the "operation of establishments which feature food, drink and entertainment."

Defendants' evidence showed that prior to the operation of any club by any licensee of the plaintiffs there were in existence during the 1950's at least sixteen

clubs, bars, lounges or restaurants throughout the United States using in their name the word "playboy".

The plaintiffs had knowledge that there have been various bars around the country at various times using the name "playboy" and plaintiffs have closed up as many as they "could get to." Many the "playboy" bars, lounges and clubs in existence prior to the licensing of any club by the plaintiffs have been closed by the payment of money and by the granting of retroactive licenses. (R-112, 118-123.)

The operation of defendants' Atlanta's Playboy Club is not a "private" or a "key" club and does not operate like one. It advertises that the public is invited and no membership is required (R-190, 191), the location of the club and its general surroundings are not the usual location and surroundings licensed by plaintiffs, the decor, mode of operation, program, degree of sophistication and customers appealed to are distinctly different to the degree that no reasonable person familiar with any licensee club of plaintiffs would believe on attending Atlanta's Playboy Club that he was attending a club licensed or sponsored by plaintiffs. The waitresses were dressed distinctly different.

There is no evidence that any person has ever attended Atlanta's Playboy Club believing himself to be attending a club licensed by, sponsored by, or connected with the plaintiffs and the only thing which has

ever caused any inquiry as to whether Atlanta's Playboy Club was connected with plaintiffs has been the use of "Playboy" in the name. The only act complained of by the plaintiffs in this case is the use by the defendants of the name, Atlanta's Playboy Club, and if defendants operated by another name, plaintiffs would make no complaint (R-100, 101).

Plaintiffs are unable to particularize any specific damages which have resulted to them as a result of defendants' use of the name, Atlanta's Playboy Club. Defendants have not realized any substantial increase in their business as a result of the change of their name to Atlanta's Playboy Club (R-186, 187).

REASONS FOR GRANTING WRIT.

A vital question of wide public interest affecting the basic validity and extent of the ownership of trade mark is raised by this petition. The question is whether the basic principle that exclusive ownership of a trade mark or service mark is dependent upon a registrant's own *prior use* or whether as the Court of Appeals in this case now holds, "a trade or service mark may be acquired through its use by controlled licensees *even though the registrant itself may not have used the mark.*" (Emphasis supplied.)

This conclusion by the Fifth Circuit would, it is submitted, shatter the long established keystone in the law of trade marks that a person may not "dream up" a name for a product which he has never manu-

factured or used and claim the exclusive right in such name by licensing to another that which he himself never manufactured or used—even if he thereafter seeks to control the quality etc. of such licensees' sub-licensees as in this case.

The Fifth Circuit Court of Appeals itself has recognized the fundamental requirement of *use* as the requisite for ownership and furthermore, that registration itself adds nothing to ownership, *i.e.*, in the case of *Faciane v. Starner*, 230 F2d 732 (5th Circuit) (1956), at page 738 states:

> "'The rule is well stated in 87 C.J.S. Trademarks, etc., Sec. 169, pp. 495-500: 'Registration of a trade mark confers only procedural advantages and does not enlarge the registrant's substantive rights . . . *The ownership of a trade mark rests on adoption and use, not on registration* . . . Registered trade marks are limited by the claim, and applicant is concluded as to date of adoption and user by his sworn statement made part of his application ... The exclusive right to use the mark *is limited to use on the class of goods for which it was registered as set forth in the statement filed in the patent office* . . .'" (Emphasis supplied.)

To the same effect is the Fifth Circuit's decision in *American Foods v. Golden Flake*, 5 CCA 1963, 312 F2d 619:

> "A trade-mark is not a right in gross or at large and there is no property right in a trade-

mark except as a right appurtenant to established business or trade in connection with which such mark is employed."

"The use of a trade-mark by a related company does not affect the validity of the mark or its registration—in other words, there is no abandonment—but the use of the mark by a related company cannot give validity to the mark of a registrant or applicant for registration which the registrant or applicant would not have in its own right." *Ex Parte C. B. Donald Company,* 117 U.S.P.Q. 485; *Alligator Company, et al. v. Robert Bruce, Inc., et al.,* D. C. Penn. 1959, 176 F. Supp. 377.

Additionally there is involved the far reaching conclusion of the Fifth Circuit Court of Appeals in this case that even though the original registration of the non-user was for an entirely different class, *i.e.*, for a magazine, nevertheless it could acquire exclusive ownership by licensing to another for a completely different class, *i.e.*, for a night club. Once again the Fifth Circuit itself holds to the contrary in the case of *Faciane v. Starner, supra,* as reflected in the foregoing quote from said case, and in its decision in *Pure Foods v. Minute Maid Corporation,* 5th CCA (1954), 214 F2d 793. To the same effect are the following:

California Fruit Growers Exch. v. Sunkist, 7 CCA 1948, 166 F2d 97; *Time Inc. v. Viovin Corp.,* 7 CCA 1942, 128 F2d 860; *Beechnut Packing Company v. P.*

Lorillard Co., 3 CCA 1925, 7 F2d 967; *White Mineral Springs Co. v. Akron Berg*, 6 CCA 1924, 299 F 775.

The basic principle of "use" as the primary test of ownership is inherent in the Lanham Act itself:

Section 33 (15 USCA 1115) provides that "the registration . . . does not preclude an opposing party from proving any legal or equitable defense which might have been asserted if such mark had not been registered."

The Court of Appeals of the Second Circuit and of the District of Columbia also recognize the fundamental element of *use* as prerequisite to ownership in a mark in their respective decisions in *Best & Company v. Miller*, 2 CCA 1948, 167 F2d 347 and *Macauley v. Matt-Diastrase Co.*, CCA D.C. 1925, 4 F2d 944. To the same effect is the decision of the Commissioner of Patents in the case of *In Re C. B. Donald Co.*, 122 U.S.P.Q. 401 (1959) under facts closely analogous to the case at bar. Similarly to the same effect is *Ex Parte Alexander*, 114 U.S.P.Q. 547 (1957).

Thus, we have a conflict between the Circuit Courts of Appeals upon two of the most far reaching and fundamental facets of the law of Trademarks and Service Marks which this Court should resolve.

It is to be clearly borne in mind that no owner of a "playboy club" was or is in court as a complainant in this case. Plaintiffs appear solely as licensors of a

mark. Thus, neither plaintiff has ever operated a club or restaurant and plaintiffs claim of ownership to the service mark "Playboy Club" must be asserted under Section 5 of the Lanham Act providing for controlled licensing.

In the case of *In Re C. B. Donald*, 122 U.S.P.Q. 401 (1959) it is held that "Section 5 (of the Lanham Act) does not and was not intended to permit the licensing of non-existent rights . . ." and "Section 5 merely recognizes the rights of the owner of a mark under such circumstances (of licensing) but it does not and was not intended to create any right of ownership which did not theretofore exist."

It is to be further observed that the defendants in the court below (petitioner herein) began the operation of their club under the name of Atlanta's Playboy Club on or about April 1, 1962, and during this month of April 1962, registered their trade name in the Superior Court of Fulton County, Georgia, as provided under Georgia law.

The registration of plaintiff HMH Publishing Company, Inc. for their service mark THE PLAYBOY CLUB was not published in the Official Gazette of the Patent Office until December 18, 1962, nine months after the defendants had commenced operation. The service mark was not issued until March 5, 1963.

It is well to note that the Commissioner refused plaintiffs' registration of the service mark PLAYBOY for "key club where food and liquor are sold" and

granted a registration only after the application was amended to THE PLAYBOY CLUB for "operating *private* social clubs which feature food, drinks and entertainment." The acquiescence of the applicant in the refusal to register the mark PLAYBOY and the requirement that the application be amended shows the limited scope to which the registration is entitled.

Section 15 of the Lanham Act (15 USCA 1065) recognizes the ineffectiveness of registration against uses and registrations under state laws prior to the date of publication by providing that registrations under the Lanham Act shall be incontestable "except to the extent, if any, to which the use of a mark registered on the Principal Register infringes a valid right acquired under the law of any state or territory by use of a mark or *trade name* continuing from a date *prior* to the date of the publication under this Chapter of such registered mark." (Emphasis supplied.)

CONCLUSION.

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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The undersigned does hereby certify that he has on this .... day of ....., 1967, served three true copies of the within petition for certiorari upon Smith, Cohen, Ringel, Kohler, Martin & Lowe, attorneys for respondent, at their offices located on the 24th Floor, First National Bank Building, Atlanta, Georgia 30303, by depositing the same in a United States mailbox with first class postage prepaid.

.....

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Attorney for Petitioner in
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